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UNCLAS SECTION 01 OF 02 OTTAWA 000529

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E.O. 12958: N/A
TAGS: [PGOV](#) [CA](#)
SUBJECT: TORY "BRAND" SUFFERS ETHICAL BLOW

REF: A. OTTAWA 305

- B. OTTAWA 452

¶1. (SBU) SUMMARY: Royal Canadian Mounted Police (RCMP) officers executed a search warrant at federal Conservative Party headquarters in Ottawa on April 15, apparently related to an ongoing legal case involving possible Conservative election spending violations in the 2006 federal election. The incident thrust a media spotlight on an issue that had previously gained scant traction with the public. The politically loaded visuals of a police "raid" on a party that had vowed to deliver "clean" government likely will dent the Conservative "brand," but this is unlikely to be the catalyst that will force a new election in the near future. End Summary

Bad Press

¶2. (SBU) With extensive coverage both by the media and by representatives of the opposition Liberal Party, the RCMP -- acting on behalf of Elections Canada, the independent federal election administration -- entered the Ottawa federal headquarters of the Conservative Party of Canada on April 15 with a search warrant and left with a quantity of unspecified documents. It was unclear who tipped off the press and the Liberals to cover this event.

¶3. (SBU) In Question Period in the House of Commons later on April 15, Prime Minister Stephen Harper deflected opposition charges of "scandal," insisting that not only had his party cooperated fully with all requests by Elections Canada for documents, but also emphasizing that the Conservatives had initiated the civil case against Elections Canada, not vice versa. He maintained that "our legal position is rock solid." Liberal members tried to imply that RCMP involvement suggested the possibility of a separate criminal investigation, which Conservative members flatly denied. Liberal leader Stphane Dion commented that PM Harper "needs to answer very, very serious allegations and a behavior that is beyond what we have seen for a long time." The heated exchanges continued in Question Period on April 16.

Complicated case

¶4. (SBU) Under Canadian law (ref a), political parties and candidates are subject to separate election campaign spending limits. Elections Canada believes that the Conservatives in the 2006 federal election operated a complex and so-called "in-and-out" scheme in which the party allegedly transferred more than C\$1 million in national campaign funds to 67 Tory candidates who were under their personal election spending limits in their ridings. The candidates allegedly booked the money as local campaign advertising expenses, but then wired it back to the party, while applying to Elections Canada for reimbursement of the same funds under taxpayer-funded election spending rules.

15. (SBU) After Elections Canada disallowed the claim by ruling that the expenses were actually incurred by the national party, the Conservatives filed a civil suit in the spring of 2007 to overturn the ruling. The case is ongoing in the Federal Court of Canada. If the Court rules in favor of Elections Canada, the disputed 2006 expenses would be added to the Conservative Party's national campaign expenses and would put the party well over its spending cap, in violation of the election law, which prescribes a maximum penalty of C\$25,000 for the offense. However, if the Court convicts the party of the more serious charge of "willful collusion" to exceed spending limits, the party could lose its legal registration. Opposition parties have also alleged that the candidates' claims for reimbursement amounted to election fraud as well.

16. (SBU) Comment: The Conservatives campaigned in 2006 on a pledge to deliver "clean," transparent, and accountable government, Qpledge to deliver "clean," transparent, and accountable government, riding a wave of public revulsion over the Liberals' "sponsorship" scandal of 2005. The Conservative "brand" will likely take a beating from the unflattering video footage, and even more so if the Federal Court rules against the party. Until now, the opposition had been stymied in its attempts to have a parliamentary committee investigate the "in-and-out" affair, nor had the public paid much attention. The scheduled parliamentary recess during the week of April 21 will provide temporary relief for the Conservatives. However, the Liberals will undoubtedly try further to chip away at Conservative ethics and the party "brand," and to gain fresh traction with their hitherto unsuccessful attempts to link the government to other "scandals," such as an inquiry into connections between former Conservative Prime Minister Brian Mulroney and a German-Canadian lobbyist, and allegations that the Conservatives tried to "buy" the vote of independent MP Chuck Cadman (now deceased) in order to bring down the former Liberal government. Despite their glee at the Conservatives' latest discomfiture, the Liberals are probably still not ready to fight a national campaign (ref b), so they will try to embarrass the Conservatives without

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actually bringing the government down in the near future. For the Conservatives, the fallout could be most damaging in vote-rich Quebec, where voter disgust over the sponsorship scandal was strongest and where the Conservatives hope to add seats in the next election. At a minimum, the latest developments will make it harder for the Conservatives to play the ethics card in the next campaign, whenever that may be.

WILKINS